



Credit
Abuse
Resistance
Education
(CARE)
Program

What do you spend money on?



Are the items you buy
things you **need**
or
things you **want**?

How do you pay for what you want?



For “Big Ticket” Items

Unless you’ve saved
lots of **cash**...



...you’ll probably use a
credit card.

True or False?

1. You must be 18 or older to obtain a credit card in your own name.

TRUE

1. Before you become 18, you may obtain a credit card in which an adult is the authorized user.

Once you're 18, you can legally incur debt in your own name.

True or False?

2. All credit card companies charge the same annual percentage rate (APR) of interest on the balance you owe.

23% APR

FALSE

2. Different banks charge different rates.

Also, other important terms vary
(*e.g.*, annual fees, late fees, grace
periods)

True or False?

3. If you pay your credit card balance on time and in full each month, it doesn't matter what rate the bank charges on your credit card.

TRUE

3. Because you pay interest on the **unpaid** amount each month, you never pay any interest charge **if** you pay the entire amount due each month.

Banks hate it when you do this!

True or False?

4. You pay no interest on a debit card purchase.

TRUE

4. A debit card works like a check.
Money is instantly deducted from your
checking account.



Your ATM card
probably serves a
debit card.

True or False?

5. Everyone over age 18 has a credit report.

False

5. Credit reports exist only for people who have established a credit history.

Having ***no*** credit history can have adverse consequences.

True or False?

6. If you are late in making a few credit card payments, the interest rate you pay may increase sharply.

TRUE

6. For example on one user's credit card, the rate jumped from
4.9% to **24%**
when one payment was late!
(Late charges also can accrue.)

True or False?

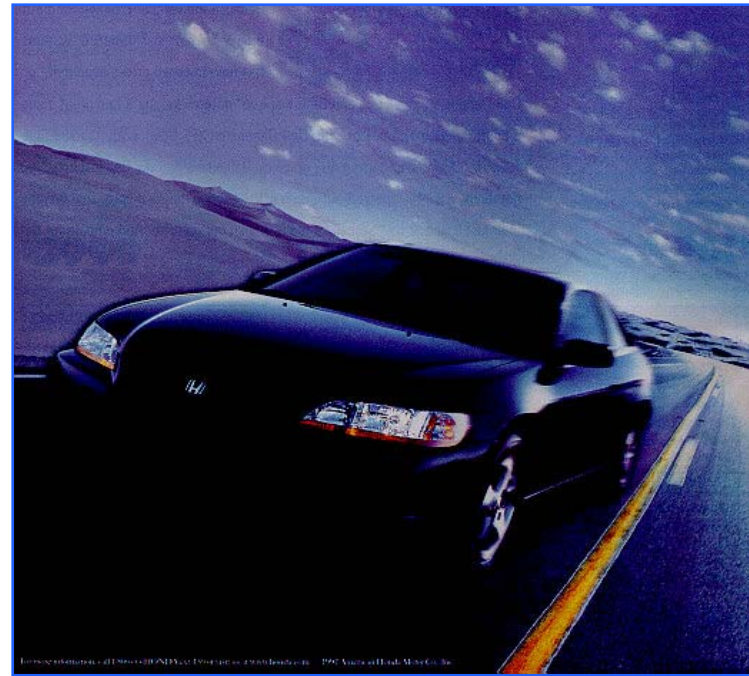
7. Missing just one or two credit card payments won't hurt your credit rating.

FALSE

7. Missing a payment is noted on your credit report. Negative information such as this can legally remain on your credit report for up to 7 years.

True or False?

8. If you apply for an auto loan, the lender will probably review your credit report.



TRUE

8. Lenders almost always will review your credit report.



For a free copy of your credit report, visit
AnnualCreditReport.com

True or False?

9. When you apply for a job, your prospective employer may review your credit report.



TRUE

9. A prospective employer
can review your credit report
if you give written authorization.

*More and more employers
are checking credit reports
of potential employees.*

True or False?

10. Bouncing just one check won't cause you to have credit problems.

FALSE

10. If you bounce a check, your bank may put your name in Chex SystemsSM.

You could be “blacklisted” for up to five years. This might mean you may not be able to use a checking account.

Multiple Choice

11. The average college undergraduate owes credit card debt of:

- (a) \$500
- (b) \$1,500
- (c) \$3,000
- (d) \$5,000

Answer: C

The *average* college student
owes about
\$3,000
in credit card debt.

Tips: Establishing Credit

- Establish good credit by
 - Using a checking account or a debit card
 - Paying bills in full and on time
- Take out a small loan and repay it in a timely manner to establish a good credit record
 - Use a parent as co-signer

Tips: Determine if Credit is for You

Before you make a purchase using credit, determine:

- How much the purchase will really cost you
- Whether you can actually afford the purchase
- If it is better to wait and pay in cash

Tips: Obtaining a Card

- Get only one or two credit cards



- Resist opening a new credit card account for the enticing “free gifts”

Tips: Obtaining a Card (continued)

- “Shop” for a credit card with the best terms that suit you
 - Read and understand the terms in the disclosure
 - Pay close attention to various late fees and penalties

“Shopping” for a Card

- Consider other credit products (*e.g.*, prepaid cards and secured credit cards)

- Evaluate whether a rewards card is worth any extra fees and costs



Tips: Using Your Card

- Limit credit card use for essential purchases only (*i.e.*, **needs**, not **wants**)
- Keep track of where your cards are
 - If you hand a credit card to a merchant, try to keep it in view
- Try to pay the **entire** amount due each month by the due date

Tips: Using Your Card (continued)

- Don't max out on your credit limit
 - Watch card balances to avoid overlimit fees
- Try to avoid cash advances



Tips: Credit Card Debt

- Stop charging purchases
 - Pay cash, write a check, or use a debit card
 - Avoid store charge cards
- Calculate how long it will take to pay off credit cards.
 - Visit Bankrate.com
- Make a plan to pay debt and stick to it

Tips: Credit Card Debt (continued)

- Pay more than just the minimum payment amount
- Pay higher-interest cards first, but don't miss any payments on any card

Tips: Maintaining Your Card

- Monitor the interest rate section on your monthly statement
- Check your credit report regularly
 - Visit AnnualCreditReport.com
 - Contact the credit reporting agency to correct any credit report errors

Warning Signs of Credit Abuse

- You pay credit card bills with other credit cards (*credit kiting*)

Some Web Resources

- Smartmoney.com

Click on *Personal Finance > Debt Management*

- Cardweb.com
- ConsumerDebt.com